

CITY OF CORRECTIONVILLE

Independent Auditor's Report
Financial Statements and
Supplemental Information
and Findings

JUNE 30, 2005

DAVID A. MASKE

Certified Public Accountant
Spencer, Iowa

CITY OF CORRECTIONVILLE

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CITY OF CORRECTIONVILLE

CITY OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Thomas Rowse	Mayor	12/31/2005
John Jacobs, Jr.	Council Member	12/31/2005
Thomas Volkert	Council Member	12/31/2005
Gail Stanton	Council Member	12/31/2005
Sonya Kostan	Council Member	12/31/2007
Randy Kirchner	Council Member	12/31/2007
Barbara Joy	City Clerk	12/31/2005

DAVID A. MASKE

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Correctionville
Correctionville, Iowa

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Correctionville, Iowa, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits, contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as permitted by the Code of Iowa, the accounting records of the City have not been audited for all prior years. Accordingly, I was unable to satisfy myself as to the distribution by fund of the total fund balance at July 1, 2004.

In my opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had I been unable to verify the distribution by fund of the total fund balance at July 1, 2004, as discussed in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Correctionville, as of June 30, 2005 and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, I have also issued my report dated January 12, 2006 on my consideration of the City of Correctionville's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 5 and 13 are not required parts of the basic financial statements, but are supplementary information required by the governmental Accounting Standards Board. I applied limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information I did not audit the information and express no opinion on it.

My audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Correctionville's basic financial statements. Other supplementary information included in Schedules 1 through 5, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applies in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.


DAVID A. MASKE
Certified Public Accountant

January 12, 2006
Spencer, Iowa

CITY OF CORRECTIONVILLE

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED JUNE 30, 2005

The City of Correctionville provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2005. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2005 FINANCIAL HIGHLIGHTS

- Receipts of the City-wide activities were approximately \$681,200 for fiscal 2005.
- Disbursements for fiscal 2005 were approximately \$667,400.
- The City's total cash basis net assets increased 2.1%, or approximately \$13,800 from June 30, 2004 to June 30, 2005.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The City's Financial Statement consists of a Statement of Receipts, Disbursements and Cash Balances. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the City's funds.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Receipts, Disbursements and Changes in Cash Balances reports information which helps answer this question.

The Statement of Receipts, Disbursements and Changes in Cash Balances presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, and 3) the Debt Service Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains two Enterprise Funds to provide separate information for the water fund and sewer fund, considered to be major funds of the City.

The required financial statements for proprietary funds include a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, from \$1,484,727 to \$1,374,586. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities

	Year Ended June 30, 2005
Receipts and Transfers:	
Property Tax	\$ 101,621
Tax Increment Financing Collections	45,971
Other City Tax.....	79,705
Licenses and Permits.....	1,643
Use of Money and Property	45,337
Intergovernmental	82,390
Charges for Services	68,048
Special Assessments.....	991
Miscellaneous	67,701
Total Receipts and Transfers	<u>\$ 493,407</u>
Disbursements and Transfers:	
Public Safety.....	\$ 68,259
Public Works.....	206,415
Culture and Recreation.....	128,127
Community and Economic Development.....	13,562
General Government	63,429
Debt Service	79,084
Capital Projects.....	9,645
Transfers	35,027
Total Disbursements	<u>\$ 603,548</u>
(Decrease) in Cash Basis Net Assets	\$ (110,141)
Cash Basis Net Assets - Beginning of Year	<u>1,484,727</u>
Cash Basis Net Assets - End of Year	<u>\$ 1,374,586</u>

Changes in Cash Basis Net Assets of Business Type Activities

	Year Ended June 30, 2005
Receipts:	
Program Receipts:	
Operations:	
Water	\$ 80,405
Sewer	107,372
Net Transfers	<u>35,027</u>
	<u>\$ 222,804</u>
Disbursements:	
Water Operations	\$ 56,040
Sewer Operations	<u>42,831</u>
	<u>\$ 98,871</u>
Increase in Cash Basis Net Assets	\$ 123,933
Cash Basis Net Assets - Beginning of Year	<u>269,606</u>
Cash Basis Net Assets - End of Year	<u>\$ 393,539</u>

Total business type activities receipts for the fiscal year were \$222,804. The cash balance increased by \$123,933 over the prior year. Total disbursements for the fiscal year were \$98,871.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City's expenditures exceeded its budget in the Capital Projects function.

DEBT ADMINISTRATION

For the year ended June 30, 2005, the City retired \$43,000 in debt. Total City debt outstanding at June 30, 2005 was \$930,000.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Barbara Joy, City Clerk, Correctionville, Iowa.

BASIC FINANCIAL STATEMENTS

CITY OF CORRECTIONVILLE
STATEMENT OF ACTIVITIES AND NET ASSETS – CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2005

		<u>-----Program Receipts-----</u>			<u>Net (Disbursements) Receipts and</u> <u>Changes in Cash Basis Net Assets</u> <u>-----</u>		
				Operating Grants, Contributions, and Restricted Interest			
	Disbursements	Charges for Service			Governmental Activities	Business Type Activities	Total
Functions / Programs:							
Government Activities:							
Public Safety.....	\$ 68,259	\$ 24,646	\$ -0-		\$ (43,613)	\$ -0-	\$ (43,613)
Public Works.....	206,415	42,942	70,757		(92,716)	-0-	(92,716)
Culture and Recreation.....	128,127	460	6,020		(121,647)	-0-	(121,647)
Community and Economic Development	13,562	-0-	-0-		(13,562)	-0-	(13,562)
General Government.....	63,429	43,536	-0-		(19,893)	-0-	(19,893)
Debt Service.....	79,084	-0-	-0-		(79,084)	-0-	(79,084)
Capital Projects	9,645	-0-	-0-		(9,645)	-0-	(9,645)
Total Governmental Activities	<u>\$ 568,521</u>	<u>\$ 111,584</u>	<u>\$ 76,777</u>		<u>\$ (380,160)</u>	<u>\$ -0-</u>	<u>\$ (380,160)</u>
Business Type Activities:							
Water.....	\$ 56,040	\$ 76,041	\$ 4,364		\$ -0-	\$ 24,365	\$ 24,365
Sewer.....	42,831	99,438	7,934		-0-	64,541	64,541
Total Business Type Activities	<u>\$ 98,871</u>	<u>\$ 175,479</u>	<u>\$ 12,298</u>		<u>\$ -0-</u>	<u>\$ 88,906</u>	<u>\$ 88,906</u>
Total	<u>\$ 667,392</u>	<u>\$ 287,063</u>	<u>\$ 89,075</u>		<u>\$ (380,160)</u>	<u>\$ 88,906</u>	<u>\$ (291,254)</u>
General Receipts:							
Property Tax Levied For:							
General Purposes.....					\$ 84,843	\$ -0-	\$ 84,843
Tax Increment Financing					45,971	-0-	45,971
Debt Service.....					16,778	-0-	16,778
Local Option Sales Tax					79,705	-0-	79,705
Unrestricted Interest on Investments.....					45,337	-0-	45,337
Special Assessments.....					991	-0-	991
Miscellaneous					31,421	-0-	31,421
Transfers.....					(35,027)	35,027	-0-
Total General Receipts and Transfers					<u>\$ 270,019</u>	<u>\$ 35,027</u>	<u>\$ 305,046</u>
Change in Cash Basis Net Assets					\$ (110,141)	\$ 123,933	\$ 13,792
Cash Basis Net Assets – Beginning of Year					<u>1,484,727</u>	<u>269,606</u>	<u>1,754,333</u>
Cash Basis Net Assets – End of Year					<u>\$ 1,374,586</u>	<u>\$ 393,539</u>	<u>\$ 1,768,125</u>
Cash Basis Net Assets							
Restricted:							
Streets.....					\$ 157,167	\$ -0-	\$ 157,167
Urban Renewal Purpose.....					56,514	-0-	56,514
Debt Service.....					19,262	50,401	69,663
Other Purposes					991,785	-0-	991,785
Unrestricted					<u>149,858</u>	<u>343,138</u>	<u>492,996</u>
Total Cash Basis Net Assets					<u>\$ 1,374,586</u>	<u>\$ 393,539</u>	<u>\$ 1,768,125</u>

See notes to financial statements

CITY OF CORRECTIONVILLE
GOVERNMENTAL FUNDS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

	General	Special Revenue	Capital Projects	Permanent Fund	Debt Service	Total
Receipts:						
Property tax	\$ 84,843	\$ -0-	\$ -0-	\$ -0-	\$ 16,778	\$ 101,621
Tax increment financing collections	-0-	45,971	-0-	-0-	-0-	45,971
Other city tax	-0-	79,705	-0-	-0-	-0-	79,705
Licenses and permits	1,643	-0-	-0-	-0-	-0-	1,643
Use of money and property	11,293	223	48	33,643	130	45,337
Intergovernmental	11,633	70,757	-0-	-0-	-0-	82,390
Charges for services	68,048	-0-	-0-	-0-	-0-	68,048
Special assessments	-0-	991	-0-	-0-	-0-	991
Miscellaneous	67,701	-0-	-0-	-0-	-0-	67,701
Total Receipts	\$ 245,161	\$ 197,647	\$ 48	\$ 33,643	\$ 16,908	\$ 493,407
Disbursements:						
Public safety	\$ 68,259	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 68,259
Public works	63,028	143,387	-0-	-0-	-0-	206,415
Culture and recreation	128,127	-0-	-0-	-0-	-0-	128,127
Community and economic development	13,562	-0-	-0-	-0-	-0-	13,562
General government	63,429	-0-	-0-	-0-	-0-	63,429
Debt service	-0-	-0-	-0-	-0-	79,084	79,084
Capital projects	-0-	-0-	9,645	-0-	-0-	9,645
Total Disbursements	\$ 336,405	\$ 143,387	\$ 9,645	\$ -0-	\$ 79,084	\$ 568,521
Excess (deficiency) of receipts over disbursements	\$ (91,244)	\$ 54,260	\$ (9,597)	\$ 33,643	\$ (62,176)	\$ (75,114)
Other financing sources (uses)						
Operating transfers in	\$ 102,823	\$ 77,025	\$ 3,316	\$ 22,643	\$ 79,084	\$ 284,891
Operating transfers out	(17,686)	(69,287)	(8)	(232,937)	-0-	(319,918)
Total other financing sources (uses)	\$ 85,137	\$ 7,738	\$ 3,308	\$ (210,294)	\$ 79,084	\$ (35,027)
Net change in cash balances	\$ (6,107)	\$ 61,998	\$ (6,289)	\$ (176,651)	\$ 16,908	\$ (110,414)
Cash balances beginning of year	94,307	213,341	6,289	1,168,436	2,354	1,484,727
Cash balances end of year	<u>\$ 88,200</u>	<u>\$ 275,339</u>	<u>\$ -0-</u>	<u>\$ 991,785</u>	<u>\$ 19,262</u>	<u>\$ 1,374,586</u>
Cash Basis Fund Balances						
Unreserved:						
General fund	\$ 88,200	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 88,200
Reserved	-0-	275,339	-0-	991,785	19,262	1,286,386
Total cash basis fund balances	\$ 88,200	\$ 275,339	\$ -0-	\$ 991,785	\$ 19,262	\$ 1,374,586

See notes to financial statements

CITY OF CORRECTIONVILLE
PROPRIETARY FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

	Water	Sewer	Total
Receipts:			
Use of Money and Property	\$ 4,364	\$ 7,934	\$ 12,298
Charges for Service	<u>76,041</u>	<u>99,438</u>	<u>175,479</u>
	\$ 80,405	\$ 107,372	\$ 187,777
 Disbursements:			
Business Type Activities	<u>56,040</u>	<u>42,831</u>	<u>98,871</u>
Excess (Deficiency) of Receipts Over Disbursements	\$ 24,365	\$ 64,541	\$ 88,906
Other Financing Sources (Uses):			
Operating Transfers In	\$ 50,000	\$ 181,445	\$ 231,445
Operating Transfers Out	<u>-0-</u>	<u>(196,418)</u>	<u>(196,418)</u>
Total Other Financing Sources (Uses)	\$ 50,000	\$ (14,973)	\$ 35,027
Net Change in Cash Balances	\$ 74,365	\$ 49,568	\$ 123,933
Cash Balance – Beginning of Year	<u>82,925</u>	<u>186,681</u>	<u>269,606</u>
Cash Balance – End of Year	<u>\$ 157,290</u>	<u>\$ 236,249</u>	<u>\$ 393,539</u>
 Cash Basis Fund Balances			
Unrestricted.....	\$ 157,290	\$ 185,848	\$ 343,138
Restricted.....	<u>-0-</u>	<u>50,401</u>	<u>50,401</u>
Total	<u>\$ 157,290</u>	<u>\$ 236,249</u>	<u>\$ 393,539</u>

See notes to financial statements.

CITY OF CORRECTIONVILLE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Correctionville is a political subdivision of the State of Iowa located in Woodbury County. It operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture, recreation, public improvements, and general administration services.

A. Reporting Entity

For financial reporting purposes, the City of Correctionville has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. The City of Correctionville has no component units.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Local Option Sales Tax Fund is used to account for the Local Option Sales Tax Revenue.

The Urban Renewal Tax Increment Fund is used to account for TIF Revenues and related expenditures.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Permanent Fund is used to account for funds specifically restricted by the Council.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation of the City's sanitary sewer system.

C. Measurement Focus and Basis of Accounting

The City of Correctionville maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

NOTE 2- CASH AND POOLED INVESTMENTS:

The City's deposits at June 30, 2005, were entirely covered by Federal depository insurance, or by the state sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies, and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council and the Treasurer of the State of Iowa; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments at June 30, 2005.

At June 30, 2005, the City had certificates of deposit totaling \$1,539,849.

NOTE 3 - BONDS AND NOTES PAYABLE:

Annual debt service requirements to maturity for General Obligation Bonds and Notes and Revenue Capital Loan Notes are as follows:

YEAR ENDING JUNE 30,	GENERAL OBLIGATION NOTE		SEWER REVENUE NOTE		TOTAL	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2006	\$ 11,000	\$ 7,257	\$ 35,000	\$ 27,048	\$ 46,000	\$ 34,305
2007	12,000	7,102	36,000	25,676	48,000	32,778
2008	13,000	6,899	38,000	24,264	51,000	31,163
2009	14,000	6,645	39,000	22,775	53,000	29,420
2010	15,000	6,323	40,000	21,246	55,000	27,569
2011	16,000	5,940	42,000	19,678	58,000	25,618
2012	17,000	5,485	44,000	18,032	61,000	23,517
2013	18,000	4,974	45,000	16,307	63,000	21,281
2014	19,000	4,408	47,000	14,543	66,000	18,951
2015	19,000	3,790	49,000	12,701	68,000	16,491
2016	20,000	3,144	51,000	10,780	71,000	13,924
2017	21,000	2,444	53,000	8,781	74,000	11,225
2018	22,000	1,688	55,000	6,703	77,000	8,391
2019	23,000	874	57,000	4,547	80,000	5,421
2020	-0-	-0-	59,000	2,313	59,000	2,313
TOTAL	<u>\$ 240,000</u>	<u>\$ 66,973</u>	<u>\$ 690,000</u>	<u>\$ 235,394</u>	<u>\$ 930,000</u>	<u>\$ 302,367</u>

NOTE 4 - PENSION AND RETIREMENT BENEFITS:

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual salary and the City is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by State statute. The City's contribution to IPERS for the year ended June 30, 2005, was \$7,493.

NOTE 5 - COMPENSATED ABSENCES:

City employees accumulate vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as expenditures by the City until used or paid. The City's approximate maximum liability for unrecognized accrued employee benefits at June 30, 2005, primarily relating to the General Fund, is as follows:

TYPE OF BENEFIT	AMOUNT
Vacation	<u>\$ 7,659</u>

The liability has been computed based on the rates of pay as of June 30, 2005.

The City does not accumulate compensated sick leave.

NOTE 6 - RISK MANAGEMENT:

The City of Correctionville is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 - BUDGET:

The City over expended its budget in Capital Projects function.

NOTE 8 – RELATED PARTY TRANSACTIONS:

The City had business transactions between the City and City officials totaling \$4,576 during the year ended June 30, 2005.

NOTE 9 – INTERFUND TRANSFERS:

The detail of interfund transfers is as follows:

To General Fund	\$	102,823	
From General Fund			\$ 17,686
To Special Revenue		77,025	
From Special Revenue			69,287
To Capital Projects		3,316	
From Capital Projects			8
To Permanent Funds		22,643	
From Permanent Funds			232,937
To Debt Service		79,084	
To Water		50,000	
To Sewer		181,445	
From Sewer			196,418
	\$	<u>516,336</u>	<u>\$ 516,336</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CORRECTIONVILLE
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS) – ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2005

	Governmental Funds Actual	Proprietary Funds Actual	Total	-----Budgeted Amounts-----		Final to Net Variance
				Original	Final	
Receipts:						
Property Tax	\$ 101,621	\$ -0-	\$ 101,621	\$ 98,163	\$ 110,150	\$ (8,529)
Tax Increment Financing.....	45,971	-0-	45,971	4,200	45,400	571
Other City Tax.....	79,705	-0-	79,705	74,367	84,200	(4,495)
Licenses and Permits.....	1,643	-0-	1,643	1,400	1,675	(32)
Use of Money and Property.....	45,337	12,298	57,635	39,600	44,098	13,537
Intergovernmental.....	82,390	-0-	82,390	79,098	73,720	8,670
Charges for Services.....	68,048	175,479	243,527	210,800	236,970	6,557
Special Assessments.....	991	-0-	991	38,829	2,000	(1,009)
Miscellaneous	67,701	-0-	67,701	3,620	12,950	54,751
Total Receipts	<u>\$ 493,407</u>	<u>\$ 187,777</u>	<u>\$ 681,184</u>	<u>\$ 550,077</u>	<u>\$ 611,163</u>	<u>\$ 70,021</u>
Disbursements:						
Public Safety	\$ 68,259	\$ -0-	\$ 68,259	\$ 86,200	\$ 88,200	\$ 19,941
Public Works.....	206,415	-0-	206,415	185,500	231,500	25,085
Culture and Recreation	128,127	-0-	128,127	112,900	144,200	16,073
Community and Economic Development.....	13,562	-0-	13,562	17,700	14,000	438
General Government.....	63,429	-0-	63,429	69,400	70,000	6,571
Debt Service	79,084	-0-	79,084	79,782	79,227	143
Capital Projects.....	9,645	-0-	9,645	-0-	6,374	(3,271)
Business Type Activities.....	-0-	98,871	98,871	128,500	121,100	22,229
Total Disbursements	<u>\$ 568,521</u>	<u>\$ 98,871</u>	<u>\$ 667,392</u>	<u>\$ 679,982</u>	<u>\$ 754,601</u>	<u>\$ 87,209</u>
Excess (Deficiency) of Receipts over Disbursements	\$ (75,114)	\$ 88,906	\$ 13,792	\$ (129,905)	\$ (143,438)	\$ 157,230
Other Financing Sources – Net	<u>(35,027)</u>	<u>35,027</u>	<u>-0-</u>	<u>200</u>	<u>-0-</u>	<u>-0-</u>
	(110,141)	123,933	13,792	(129,705)	(143,438)	157,230
Balances – Beginning of Year	<u>1,484,727</u>	<u>269,606</u>	<u>1,754,333</u>	<u>1,566,633</u>	<u>1,754,333</u>	<u>-0-</u>
Balances – End of Year	<u>\$ 1,374,586</u>	<u>\$ 393,539</u>	<u>\$ 1,768,125</u>	<u>\$ 1,436,928</u>	<u>\$ 1,610,895</u>	<u>\$ 157,230</u>

See accompanying independent auditor's report

CITY OF CORRECTIONVILLE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
JUNE 30, 2005

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds and Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon ten major classes of disbursements known as functions, not by fund or fund type. These ten functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, business type activities and non-program. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2005 disbursements exceeded the amounts budgeted in the Capital Projects function.

OTHER SUPPLEMENTAL INFORMATION

CITY OF CORRECTIONVILLE
GENERAL FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

	<u>General Operations</u>	<u>Solid Waste</u>	<u>Total</u>
Receipts:			
Property Taxes	\$ 84,843	\$ -0-	\$ 84,843
Licenses and Permits.....	1,643	-0-	1,643
Use of Money and Property:			
Interest	6,300	-0-	6,300
Rent.....	4,993	-0-	4,993
Intergovernmental:			
Bank Franchise.....	2,084	-0-	2,084
Fire Service	9,326	-0-	9,326
Enrich Iowa.....	223	-0-	223
Charges for Service:			
Garbage	-0-	42,942	42,942
Ambulance.....	24,646	-0-	24,646
Library Fees.....	460	-0-	460
Miscellaneous:			
Cemetery Charges.....	1,000	-0-	1,000
Swimming Pool	6,020	-0-	6,020
Donations and Grants.....	2,581	-0-	2,581
Claims and Refunds.....	7,856	-0-	7,856
Cable Fee.....	4,054	-0-	4,054
Fines & Penalties.....	6,880	-0-	6,880
Sesquicentennial Fund Raising.....	35,656	-0-	35,656
Miscellaneous.....	3,654	-0-	3,654
Total Receipts	<u>\$ 202,219</u>	<u>\$ 42,942</u>	<u>\$ 245,161</u>
Disbursements:			
Public Safety:			
Police.....	\$ 50,583	\$ -0-	\$ 50,583
Fire	7,234	-0-	7,234
Animal Control	8	-0-	8
Ambulance.....	10,434	-0-	10,434
Public Works:			
Solid Waste	-0-	45,249	45,249
Street Maintenance.....	17,779	-0-	17,779
Culture and Recreation:			
Recreation	21,494	-0-	21,494
Parks	22,468	-0-	22,468
Cemetery	13,941	-0-	13,941
Library	14,749	-0-	14,749
Community Center.....	31,719	-0-	31,719
Sesquicentennial	23,756	-0-	23,756
Community and Economic Development.....	13,562	-0-	13,562
General Government:			
Mayor - Council.....	5,207	-0-	5,207
Clerk - Operations.....	50,665	-0-	50,665
Professional Services	3,015	-0-	3,015
Tort Liability	4,542	-0-	4,542
Total Disbursements	<u>\$ 291,156</u>	<u>\$ 45,249</u>	<u>\$ 336,405</u>
Excess (Deficiency) of Receipts over Disbursements	\$ (88,937)	\$ (2,307)	\$ (91,244)
Other Financing Sources (Uses):			
Transfers In	\$ 102,823	\$ -0-	\$ 102,823
Transfers Out.....	(17,686)	-0-	(17,686)
Total Other Financing Sources (Uses)	<u>\$ 85,137</u>	<u>\$ -0-</u>	<u>\$ 85,137</u>
Net Change in Cash Balances	\$ (3,800)	\$ (2,307)	\$ (6,107)
Cash Balances – Beginning of Year	<u>39,998</u>	<u>54,309</u>	<u>94,307</u>
Cash Balances – End of Year	<u>\$ 36,198</u>	<u>\$ 52,002</u>	<u>\$ 88,200</u>

See accompanying independent auditor's report.

CITY OF CORRECTIONVILLE
SPECIAL REVENUE FUNDS
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
FOR THE YEAR ENDED JUNE 30, 2005

	Road Use Tax	Local Option Sales Tax	Urban Renewal Tax Increment	Total
Receipts:				
Tax Increment Financing	\$ -0-	\$ -0-	\$ 45,971	\$ 45,971
Other City Tax	-0-	79,705	-0-	79,705
Use of Money and Property	-0-	-0-	223	223
Intergovernmental.....	70,757	-0-	-0-	70,757
Special Assessments.....	-0-	-0-	991	991
Total Receipts	<u>\$ 70,757</u>	<u>\$ 79,705</u>	<u>\$ 47,185</u>	<u>\$ 197,647</u>
Disbursements:				
Public Works.....	\$ 64,967	\$ -0-	\$ 78,420	\$ 143,387
Excess (Deficiency) of Receipts over Disbursements	\$ 5,790	\$ 79,705	\$ (31,235)	\$ 54,260
Other Financing Sources (Uses):				
Operating Transfers In	\$ -0-	\$ -0-	\$ 77,025	\$ 77,025
Operating Transfers Out	<u>(10,000)</u>	<u>(55,551)</u>	<u>(3,736)</u>	<u>(69,287)</u>
Total Other Financing Sources (Uses)	<u>\$ (10,000)</u>	<u>\$ (55,551)</u>	<u>\$ 73,289</u>	<u>\$ 7,738</u>
Net Change in Cash Balances	\$ (4,210)	\$ 24,154	\$ 42,054	\$ 61,998
Cash Balances – Beginning of Year	<u>161,377</u>	<u>37,504</u>	<u>14,460</u>	<u>213,341</u>
Cash Balances – End of Year	<u>\$ 157,167</u>	<u>\$ 61,658</u>	<u>\$ 56,514</u>	<u>\$ 275,339</u>
Cash Basis Fund Balances				
Reserved Special Revenue Fund.....	<u>\$ 157,167</u>	<u>\$ 61,658</u>	<u>\$ 56,514</u>	<u>\$ 275,339</u>

See accompanying independent auditor's report.

CITY OF CORRECTIONVILLE
STATEMENT OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

Receipts:

Property Tax	\$ 101,621
Tax Increment Financing Collection	45,971
Other City Tax.....	79,705
Licenses and Permits	1,643
Use of Money and Property.....	45,337
Intergovernmental.....	82,390
Charges for Service	68,048
Special Assessments	991
Miscellaneous	<u>67,701</u>
Total	<u>\$ 493,407</u>

Disbursements:

Public Safety.....	\$ 68,259
Public Works.....	206,415
Community and Economic Development	13,562
Culture and Recreation.....	128,127
General Government	63,429
Debt Service	79,084
Capital Projects.....	<u>9,645</u>
Total	<u>\$ 568,521</u>

CITY OF CORRECTIONVILLE
BOND AND NOTE MATURITIES
JUNE 30, 2005

SEWER REVENUE BONDS
ISSUED MAY 16, 2000

YEAR ENDING JUNE 30,	INTEREST RATES	AMOUNT
2006	3.92%	\$ 35,000
2007	3.92%	36,000
2008	3.92%	38,000
2009	3.92%	39,000
2010	3.92%	40,000
2011	3.92%	42,000
2012	3.92%	44,000
2013	3.92%	45,000
2014	3.92%	47,000
2015	3.92%	49,000
2016	3.92%	51,000
2017	3.92%	53,000
2018	3.92%	55,000
2019	3.92%	57,000
2020	3.92%	<u>59,000</u>
TOTAL		<u>\$ 690,000</u>

GENERAL OBLIGATION NOTE

YEAR ENDING JUNE 30,	INTEREST RATES	AMOUNT
2006	1.40%	\$ 11,000
2007	1.70%	12,000
2008	1.95%	13,000
2009	2.30%	14,000
2010	2.55%	15,000
2011	2.85%	16,000
2012	3.00%	17,000
2013	3.15%	18,000
2014	3.25%	19,000
2015	3.40%	19,000
2016	3.50%	20,000
2017	3.60%	21,000
2018	3.70%	22,000
2019	3.80%	<u>23,000</u>
TOTAL		<u>\$ 240,000</u>

See accompanying independent auditor's report.

CITY OF CORRECTIONVILLE
STATEMENT OF INDEBTEDNESS
YEAR ENDED JUNE 30, 2005

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
General Obligation Notes: Capital Loan Note	May 1, 2003	1.25% - 3.80%	<u>\$ 250,000</u>	<u>\$ 250,000</u>	<u>\$ -0-</u>	<u>\$ 10,000</u>	<u>\$ 240,000</u>	<u>\$ 7,382</u>	<u>\$ -0-</u>
Sewer Revenue: Capital Loan Notes	May 16, 2000	3.92%	<u>\$ 850,000</u>	<u>\$ 723,000</u>	<u>\$ -0-</u>	<u>\$ 33,000</u>	<u>\$ 690,000</u>	<u>\$ 28,342</u>	<u>\$ -0-</u>

See accompanying independent auditor's report.

DAVID A. MASKE

Certified Public Accountant

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Honorable Mayor and
Members of the City Council
City of Correctionville
Correctionville, Iowa

I have audited the financial statements of the City of Correctionville, Iowa, as of and for the year ended June 30, 2005, and have issued my report thereon dated January 12, 2006. My report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. I conducted my audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Correctionville's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the City of Correctionville's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe item 05-I-A is a material weakness.

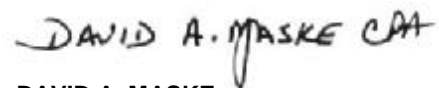
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Correctionville's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2005 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the City. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Correctionville and other parties whom the City of Correctionville may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of the City of Correctionville during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



DAVID A. MASKE
Certified Public Accountant

CITY OF CORRECTIONVILLE
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005

PART I - FINDINGS RELATED TO THE FINANCIAL STATEMENTS:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

- 05-I-A Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. One individual has the primary responsibility for posting and balancing records.

Recommendation - I realize that with a limited number of office employees, segregation of duties is difficult. The City has segregated some duties to provide reconciling checks and balances. The City should continue to consider control procedures where possible.

Response - We will consider this.

Conclusion - Response accepted.

PART II - OTHER FINDINGS RELATED TO STATUTORY REPORTING:

- 05-II-A Official Depositories - A resolution naming official depositories has been approved by the City. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2005.

- 05-II-B Certified Budget - Disbursements during the year ended June 30, 2005 exceeded the amounts budgeted in the Capital Projects function.

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa.

Response - The budget was amended, but this item was not provided for.

Conclusion - Response accepted.

- 05-II-C Questionable Disbursements - I noted no disbursements that did not meet the requirements of public purpose as defined in the Attorney General's Opinion dated April 25, 1979.

- 05-II-D Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

- 05-II-E Business Transactions - Business transactions between the City and City Officials are as follows:

<u>Name, Title and Business Connection</u>	<u>Description</u>	<u>Amount</u>
John Jacobs, Jr. Owner - Jacobs Electric	Repairs	\$ 2,111
Randy Kirchner Owner - Kirchner Construction	Repairs	\$ 2,465

In accordance with Chapter 362.5(10) of the Code of Iowa, the transactions with the council members do not appear to represent conflicts of interest, since total transactions with each council member do not exceed \$2,500 during the fiscal year.

- 05-II-F Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

CITY OF CORRECTIONVILLE
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005

- 05-II-G Council Minutes - No transactions were found that I believe should have been approved in the Council minutes but were not.
- 05-II-H Revenue Notes – The City was in compliance with the requirements of its revenue notes.
- 05-II-I Deposits and Investments - I noted no instances of noncompliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policies.